

Voya Financial, Inc.(VOYA)

\$62.71 (As of 01/17/20)

Price Target (6-12 Months): **\$66.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 05/08/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: B

Growth: F

Momentum: F

Summary

Voya Financial's shares have outperformed its industry in a year's time. The company has witnessed its 2020 estimates move north over the past 30 days. Its core businesses — Retirement, Investment Management and Employee Benefits — are expected to drive the company's earnings. These businesses are higher-growth, higher-return, capital-light businesses boasting a solid presence. Banking on organic growth, cost savings and capital deployment, the company is well poised for growth. Expansion of distribution network and achievement of efficiencies through automation should drive performance. However, continued weakness in Individual Life resulted in its discontinuation. The company's high leverage due to high debt level, lower interest coverage ratio are concerns. Lower return on equity affects profitability of company.

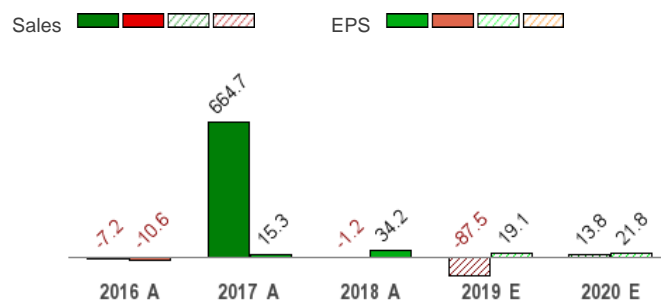
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$63.37 - \$44.31
20 Day Average Volume (sh)	1,211,792
Market Cap	\$8.5 B
YTD Price Change	2.8%
Beta	1.52
Dividend / Div Yld	\$0.60 / 1.0%
Industry	Insurance - Life Insurance
Zacks Industry Rank	Top 8% (20 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-2.9%
Last Sales Surprise	-37.9%
EPS F1 Est- 4 week change	-6.1%
Expected Report Date	02/10/2020
Earnings ESP	-22.8%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	282 E	308 E	310 E	313 E	1,212 E
2019	249 A	317 A	187 A	313 E	1,065 E
2018		238 A	163 A		8,514 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$1.29 E	\$1.54 E	\$1.53 E	\$1.66 E	\$5.86 E
2019	\$1.07 A	\$1.52 A	\$1.36 A	\$1.43 E	\$4.81 E
2018	\$0.77 A	\$1.13 A	\$1.34 A	\$1.32 A	\$4.04 A

*Quarterly figures may not add up to annual.

P/E TTM	11.9
P/E F1	10.7
PEG F1	0.4
P/S TTM	0.9

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/17/2020. The reports text is as of 01/20/2020.

Overview

Incorporated in 1999 and is based in New York, Voya Financial, Inc. operates as a retirement, investment, and employee benefits company in the United States.

The company was formerly known as ING U.S., Inc. and changed its name to Voya Financial, Inc. in April 2014.

Through its complementary set of businesses, Voya Financial help customers save, grow, protect and enjoy their wealth to and through retirement. The company offers products and services through a broad group of financial intermediaries, independent producers, affiliated advisors and dedicated sales specialists throughout the United States.

As of Dec 31, 2018, the company had \$467.3 billion in asset under management, asset under administration and total shareholders' equity, excluding accumulated other comprehensive income/loss ("AOCI") and noncontrolling interests, of \$7.6 billion.

The company operates through four segments.

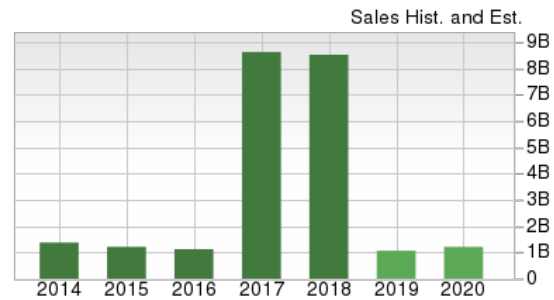
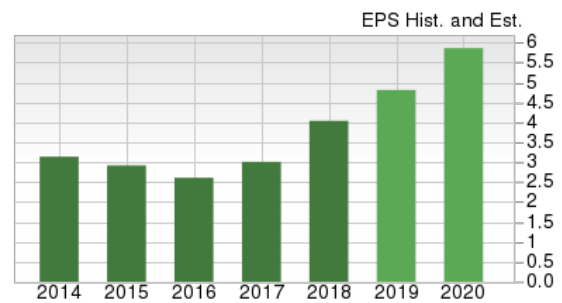
Retirement (accounts for 53% of adjusted pretax earnings in 2018) is a leading provider of retirement products and services. It focuses on guiding Americans to greater retirement readiness through employer-sponsored savings plans and holistic retirement and income guidance.

Individual Life (19%), which ceased new sales in early 2019, is a closed block of nearly 1 million in-force individual life insurance policies. Individual Life continues to provide Voya with earnings and capital diversification.

Investment Management (16%) is a leading, active asset management firm servicing both affiliated and external institutions as well as individual investors.

Employee Benefits (12%) is a top provider of stop loss coverage in the United States. It also provides a comprehensive and highly flexible portfolio of life, disability, voluntary insurance products, and health savings and spending accounts to businesses through the workplace.

In October 2018, Voya Financial concluded a strategic review of its Individual Life business and announced that it would cease new individual life insurance sales and while retaining its in-force block of individual life policies.



Reasons To Buy:

- ▲ **Share Price:** Shares of Voya Financial have gained 38.3% in a year's time, outperforming its industry's growth of 18.7%. Solid segmental performance, cost savings initiatives, strong capital position and prudent capital deployment should help the stock retain the bull run.
- ▲ **Solid Segment Projection:** Voya's core businesses — Retirement, Investment Management and Employee Benefits — are expected to drive the company's earnings. These businesses are higher-growth, higher-return, capital-light businesses boasting a solid presence. Expansion of distribution network and achievement of efficiencies through automation should help the company outperform the industry.
- ▲ **EPS Growth:** The company remains committed to its goal of annual EPS growth through a combination of organic growth, cost savings, and capital deployment. In 2019, it expects EPS growth to be largely driven by cost savings and capital deployment. The company expects normalized EPS growth to be around 10% for 2019. Organic growth will play a larger role in 2020 and 2021.
- ▲ **Cost Savings:** The company has been focusing on lowering costs for margin expansion. Although its total benefits and expenses of the company rose 4.7% year over year in the first nine months of 2019, we expect the company to generate high cost savings going forward on the back of strategic initiatives. Voya now expects to achieve run rate cost savings of at least \$250 million by 2020 end.
- ▲ **Strong Capital Position:** The company's risk-based capital ratio of 450% is above the new target of 400%. The company expects total free cash flow conversion of 85% to 95% that should continue to support excess capital generation. It had excess capital of \$471 million as of Sep 30, 2019. This financial flexibility provides strength to the company.
- ▲ **Capital Deployment:** Operational excellence has been helping the company deploy capital for enhancing shareholders' value. Its board authorized an extra buyback of worth \$800 million common stock in October 2019. Since the company's IPO in 2013, the company paid back about \$6 billion of capital to its shareholders, amounting to more than half of its original outstanding shares. Also, by hiking dividend by 1400% to 15 cents in August, Voya expects to achieve its dividend yield target of at least 1%. Increasing the dividend will help broaden the company's investor base, and will increase its attractiveness.

Voya Financial is poised to grow its earnings given its focus on high-growth, high-return, capital-light businesses, solid market presence, cost savings and effective capital deployment.

Reasons To Sell:

- ▼ **Soft Individual Life Results:** The segment has been experiencing lower premiums over the last few years while expenses have been on the rise. The company incurred adjusted pre-tax loss in 2018 versus earnings in the prior years. In the first nine months of 2019, revenues from the segment dipped 0.5% year over year. Thus, following a strategic review, the company decided to stop selling individual life insurance. In the last reported quarter, the company suffered due to unfavourable mortality experience, discontinued sales, net of reserve changes and unlocking impact in its Individual Life segment.
- ▼ **High Financial Leverage:** The company has been witnessing increase in financial leverage over the last few years. Its debt-to-equity ratio of 44.2% is way higher than the industry average of 13.8%. Also, high leverage indicates higher interest payment that increased 10% year over year in the first nine months of 2019. Its times interest earned stands at 4.1%, lower than its industry's average of 16.5%. The company's high debt level and reduced interest servicing capability raises financial risk.
- ▼ **Return on Assets:** Voya Financial return on assets is 0.5%, lower than the industry's average of 1.2%. Return on assets shows the percentage of how profitable a company's assets are in generating revenue.

Soft Individual Life results experiencing lower premiums and higher expenses over the last few years and high financial leverage coupled with lower interest coverage ratio are concerns

Last Earnings Report

Voya Financial's Q3 Earnings, Revenues Miss Estimates

Voya Financial's third-quarter 2019 net operating income of \$1.36 per share missed the Zacks Consensus Estimate by 2.9%. However, the bottom line improved 1.5% year over year.

The company's revenues of \$187 billion increased 14.7% from the year-ago quarter. However, the top line missed the Zacks Consensus Estimate by 37.9%.

Assets under management and administration were \$568 billion as of Sep 30, 2019.

Quarter Ending **09/2019**

Report Date	Nov 05, 2019
Sales Surprise	-37.88%
EPS Surprise	-2.86%
Quarterly EPS	1.36
Annual EPS (TTM)	5.27

Segmental Update

Retirement's adjusted operating earnings of \$117 million decreased 53.7% year over year due to negative DAC/VOBA and other intangibles unlocking, lower investment income and higher administrative expenses.

Investment Management posted adjusted operating earnings of \$46 million, down 4.2% year over year due to higher fee-based margin driven by higher Institutional fees from positive net flows and lower investment capital revenues.

It generated \$332 million of institutional net flows, reflecting strong commercial growth in the business and recorded the 15th straight quarter of positive institutional net flows.

Employee Benefits' adjusted operating earnings were \$57 million, up 14% year over year on the back of higher underwriting results primarily driven by growth in the Voluntary block as well as improvement in the loss ratio for Group Life and higher administrative expenses.

Individual Life's adjusted operating losses were \$33 million, narrower than the year-ago quarterly loss of \$134 million due to lower negative DAC/VOBA and other intangibles unlocking.

Corporate incurred adjusted operating losses of \$62 million, wider than the year-ago quarterly loss of \$54 million. The year-ago quarter gained from higher positive DAC/VOBA and other intangible unlocking.

Share Repurchase and Dividend Update

In the third quarter of 2019, Voya repurchased shares worth \$290 million. Its board of directors also authorized the repurchase of shares worth \$800 million set to expire on Dec 31, 2020.

The company hiked its dividend to 15 cents, up from the prior payout of 1 cent. This is in line with the company's plan to increase the dividend yield to at least 1%.

Financial Update

Voya Financial exited the third quarter with \$471 million in excess capital.

Recent News

Voya Financial in Talks with Insurance Groups to Sell Business – Jan 9, 2020

Voya Financial, Inc. is considering selling its business to other insurance groups.

This divestiture could value the U.S. retirement and insurance plan provider at \$10 billion or more, which is above its current market capitalization of \$8 billion.

Voya Financial to Divest Businesses to Resolution Life - Dec 18, 2019

Voya Financial has agreed to sell substantially all its individual life and other legacy non-retirement annuities businesses to Resolution Life Group Holdings. The deal, following the fulfillment of certain approvals and conditions, is expected to be completed in the third quarter of 2020.

Voya's Collaboration Center to Start in Braintree, MA — Nov 21, 2019

Voya has announced the opening of its collaboration center in the company's Braintree, MA, office.

Voya Financial Declares Common and Preferred Stock Dividends — Nov 1, 2019

Voya Financial recently announced a common stock dividend of 15 cents per share for the fourth quarter of 2019, payable Dec 27, 2019 to its shareholders of record as of Nov 29, 2019.

It also declared a quarterly dividend of \$13.3750 per share on the company's Series B 5.35% fixed-rate reset non-cumulative preferred stock, payable Dec 16, 2019 to its shareholders of record as of Nov 29, 2019.

Valuation

Voya Financial shares are up 38.3% over the trailing 12-month period. Over the past year, stocks in the Zacks sub-industry and the Zacks Finance sector are up 18.7% and 11.7%, respectively.

The S&P 500 index is up 23.8% in the past year.

The stock is currently trading at 0.75X trailing 12-month book value, which compares to 1.85X for the Zacks sub-industry, 2.86X for the Zacks sector and 4.55X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.89X and as low as 0.29X, with a 5-year median of 0.57X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$66 price target reflects 0.78X trailing 12-month book value.

The table below shows summary valuation data for VOYA

Valuation Multiples -VOYA					
		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	0.75	1.85	2.86	4.55
	5-Year High	0.89	2.59	2.9	4.55
	5-Year Low	0.29	1.22	1.83	2.85
	5-Year Median	0.57	1.88	2.51	3.61
P/S F12M	Current	6.96	2.52	6.53	3.57
	5-Year High	8.11	11.67	6.61	3.57
	5-Year Low	3.8	2.23	5.2	2.54
	5-Year Median	6.13	3.53	6.04	3
P/E F12M	Current	10.59	9.00	14.73	19.2
	5-Year High	16.94	15.12	16.21	19.34
	5-Year Low	6.74	5.65	12.01	15.17
	5-Year Median	9.63	11.36	13.98	17.44

As of 01/17/2020

Industry Analysis Zacks Industry Rank: Top 8% (20 out of 254)



Top Peers

Reinsurance Group of America, Incorporated (RGA)	Outperform
American Equity Investment Life Holding Company (AEL)	Neutral
Athene Holding Ltd. (ATH)	Neutral
Brighthouse Financial, Inc. (BHF)	Neutral
Genworth Financial, Inc. (GNW)	Neutral
Manulife Financial Corp (MFC)	Neutral
Primerica, Inc. (PRI)	Neutral
Sun Life Financial Inc. (SLF)	Neutral

Industry Comparison Industry: Insurance - Life Insurance				Industry Peers		
	VOYA Neutral	X Industry	S&P 500	ATH Neutral	BHF Neutral	GNW Neutral
VGM Score	D	-	-	B	C	-
Market Cap	8.45 B	3.53 B	24.65 B	8.66 B	4.42 B	2.16 B
# of Analysts	16	4	13	4	3	0
Dividend Yield	0.96%	0.40%	1.73%	0.00%	0.00%	0.00%
Value Score	B	-	-	A	A	-
Cash/Price	0.19	0.28	0.04	0.84	1.49	0.74
EV/EBITDA	9.51	4.55	14.11	1.89	3.39	4.18
PEG Ratio	0.44	0.60	2.08	0.47	0.38	NA
Price/Book (P/B)	0.79	0.83	3.39	0.64	0.26	0.13
Price/Cash Flow (P/CF)	9.29	8.12	13.81	7.77	7.53	4.81
P/E (F1)	10.70	8.73	19.19	6.32	4.11	NA
Price/Sales (P/S)	0.94	0.73	2.69	0.62	0.43	0.26
Earnings Yield	9.34%	10.43%	5.21%	15.82%	24.30%	NA%
Debt/Equity	0.44	0.12	0.72	0.07	0.25	0.23
Cash Flow (\$/share)	6.75	2.54	6.94	6.04	5.45	0.89
Growth Score	F	-	-	D	F	NA
Hist. EPS Growth (3-5 yrs)	11.10%	9.78%	10.56%	NA	NA	-1.41%
Proj. EPS Growth (F1/F0)	21.80%	7.76%	7.57%	14.22%	101.66%	NA
Curr. Cash Flow Growth	-3.30%	-6.71%	14.73%	-10.12%	-201.41%	-54.47%
Hist. Cash Flow Growth (3-5 yrs)	-6.39%	6.01%	9.00%	NA	NA	-14.39%
Current Ratio	0.16	0.21	1.24	0.11	0.54	0.26
Debt/Capital	30.66%	12.05%	42.99%	6.82%	19.73%	18.67%
Net Margin	5.77%	5.77%	11.14%	11.56%	17.25%	0.37%
Return on Equity	7.82%	8.16%	17.16%	10.45%	6.21%	1.03%
Sales/Assets	0.06	0.10	0.55	0.10	0.05	0.08
Proj. Sales Growth (F1/F0)	13.82%	3.37%	4.16%	5.78%	1.96%	NA
Momentum Score	F	-	-	B	F	-
Daily Price Chg	1.05%	0.02%	0.27%	-0.21%	0.76%	-0.23%
1 Week Price Chg	2.83%	0.15%	0.39%	1.10%	0.31%	0.69%
4 Week Price Chg	1.90%	-1.63%	2.95%	-0.87%	-2.45%	-4.23%
12 Week Price Chg	14.87%	4.02%	7.76%	11.85%	6.83%	2.63%
52 Week Price Chg	41.02%	11.37%	22.29%	7.15%	15.40%	-13.65%
20 Day Average Volume	1,211,792	203,614	1,536,375	896,895	938,513	3,364,716
(F1) EPS Est 1 week change	-2.13%	0.00%	0.00%	0.00%	0.25%	NA
(F1) EPS Est 4 week change	-6.06%	0.00%	0.00%	-2.02%	1.96%	NA
(F1) EPS Est 12 week change	-5.00%	0.68%	-0.40%	-6.66%	2.22%	NA
(Q1) EPS Est Mthly Chg	-5.26%	0.00%	0.00%	2.32%	-0.83%	NA

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	F
Momentum Score	F
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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